

Northeast Organic Dairy Producers Alliance

NODPA



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Ed Maltby

June 24, 2004

The Honorable Governor Patrick
Office of the Governor
Room 360,
Boston, MA 02133

Re: Dairy Revitalization Task Force

Dear Governor Patrick,

We appreciate the timely financial assistance you have provided to dairy farm families in Massachusetts at this critical time for them. The creation of the Dairy Revitalization Task Force to look at the long term sustainability of dairy farms in Massachusetts and New England is essential. The discussions and recommendations from the Task Force will help to ensure that there is no recurrence of the same drastic situation in another few years due to the cyclical rise and fall of the farmgate prices dictated by elements outside the control of Massachusetts farmers.

The Northeast Organic Dairy Producers Alliance (NODPA) and the Northeast Organic Farming Association, Massachusetts Chapter (NOFA/Mass) respectfully submit a *Proposal for Long-term Solutions to Develop a Sustainable Dairy Industry in Massachusetts for Future Generations*. We ask that you include this proposal in the discussions of the future of the Massachusetts dairy industry now being considered by the Dairy Revitalization Task Force. We are also willing and able to serve on the Task Force, recommend organic dairy farmers who can serve or make a presentation directly to Task Force members.

30 Keets Rd, Deerfield, MA 01342

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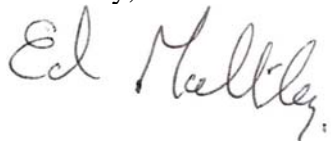
email: ednodpa@comcast.net

web: www.organicmilk.org or

www.nodpa.com

We look forward to the opportunity of discussing this proposal with you, your staff and the Task Force. Should you have any questions, please don't hesitate to contact Ed Maltby at 413-772-0444 or Kate Rossiter at 413-625-0118.

Sincerely,

A handwritten signature in cursive script that reads "Ed Maltby". The signature is written in dark ink and is positioned above a horizontal line.

Ed Maltby,
NODPA Executive Director

Kate Rossiter
NOFA/Mass Organic Dairy Coordinator

cc: Ian A. Bowles, Secretary, Executive Office of Energy and Environmental Affairs
Deputy Commissioner Kent Lage
Acting Commissioner Scott Soares
Warren Facey, MADD Farmers
Chip Hager, MADD Farmers



**PROPOSAL FOR
LONG-TERM SOLUTIONS TO DEVELOP A SUSTAINABLE DAIRY INDUSTRY
IN MASSACHUSETTS FOR FUTURE GENERATIONS**

Submitted by Northeast Organic Dairy Producers Alliance (NODPA) and
The Northeast Organic Farming Association, Massachusetts Chapter (NOFA/Mass)

June 2007

NODPA is the largest organic dairy farmer organization in the country and has a membership of more than 600 organic dairy farmers. NODPA's mission is to **“enable organic dairy family farmers, situated across an extensive area, to have informed discussion about matters critical to the well being of the organic dairy industry as a whole.”** NODPA is not aligned with any one processor or cooperative and is therefore able to represent the views of many different farmers both in the northeast and across the country by working with its sister organizations, MODPA and WODPA.

NOFA/Mass is a community including farmers, gardeners, landscapers and consumers working to educate more than 900 members and the general public about the benefits of local organic systems based on complete cycles, natural materials, and minimal waste for the health of individual beings, communities and the living planet. Through education and assistance, NOFA's dairy program works to help dairy farms in Massachusetts remain viable through organic, grass-based production and direct milk retail sales. Since the current dairy program began in 2005, NOFA/Mass has worked closely with NODPA, the NOFA-VT Dairy and Livestock Technical Assistance Program, the University of Massachusetts Extension and the USDA Natural Resources Conservation Service.

INTRODUCTION

The economic crisis that Massachusetts dairy farmers are just emerging from underscores systemic problems within the dairy industry that have been identified, studied and reported on but not solved because of regional differences across the country complicated by political in-fighting. In Massachusetts, these problems are compounded because of high cost of inputs and attractive alternative uses for land that give a better return on capital. The protection by dairy farmers of the environment, open space and working landscapes, and preservation of the rural and agrarian character of the Commonwealth, are interests that cannot be effectively maintained without providing dairy producers a reasonable return on the labor, management and capital. While the \$3.6 million granted by Governor Patrick to assist dairy farmers is an essential “bandaid” that will pay accumulated debts, it is crucial for the Dairy Revitalization Task Force to look at the long-term economics of dairy production and examine production methods that will meet the goals of

economic sustainability for the farm families while preserving Massachusetts' unique rural character.

Massachusetts dairy farmers have no control over the price they receive for milk within the Federal Milk Marketing order, and they face high costs for importing livestock feed to provide their dairy cows with a balanced ration. The five-year average farmgate price is predictable, approximately \$16 per 100 lbs of milk (cwt), as is the 3 percent average five-year return on investment¹. The cost of livestock housing, labor, energy and services are also predictably higher than in the politically powerful dairy states in the Midwest. The long-term future of dairy farming in Massachusetts lies not in imitating the production methods of other regions but rather in taking advantage of the climatic benefits that produce low-cost pasture, and the proximity of an educated, urban consumer who clamors for high-quality, environmentally-sound and safe food.

The beauty of dairy farming is that there is not one optimum production method; each farming region has given rise to a rich diversity of farm practices. In looking at the natural advantage that New England offers, more dairy farmers are turning to grass-based dairying and organic production as both methods show increased profitability for farm families. We urge the Dairy Revitalization Task Force to take an in-depth look at the long-term economic stability that grass-based and organic production practices can provide for an increasing number of Massachusetts dairy farmers.

ECONOMIC BENEFITS OF GRASS-BASED AND ORGANIC DAIRY PRODUCTION

Grass-based Production

A grass-based farm is one where the intentionally seeded grassland is intensively managed for maximum yield by rotational grazing and harvesting of forage at the optimum level for protein and energy. On a grass-based dairy, the herd's primary diet is forage from pasture, reducing the need for costly supplemental feed and other purchased supplies. Both the local NRCS and University of Massachusetts Extension staff are available to help farmers determine the pasture systems and forages most suitable for their farms. The NRCS also provides technical assistance and cost-share programs to help farmers establish water and fencing systems essential for grass-based production. Many grass-based dairy farmers find that herd health improves due to the cleaner environment of the pastures and the cow's strengthened immune system from an improved, nutritional diet. Farmers report less pneumonia, scours and mastitis than when their cows were raised in a high-input, confinement setting.

Grass-based dairy farming provides significant economic benefits to dairy farmers. A three-year study conducted in Wisconsin from 2000 to 2002 consistently showed that grass-based dairies, despite lower milk production per cow, had a higher net farm income from operations compared to confinement dairy operations.² Other key findings from the study include:

- In Wisconsin and New York, graziers were more profitable per cow and per hundredweight equivalent (cwt) than their confinement counterparts in these states.
- Farms using managed grazing consistently showed higher net farm incomes from operations per cwt and lower costs per cwt than traditional and large modern confinement farms in Wisconsin.

¹ Farm Credit

² *Pastures of Plenty: Financial Performance of Wisconsin Dairy Farms*, Tom Kriegl and Ruth McNair, UW-Madison, 2005.

- Farmers who switch from confinement dairy farming to managed grazing need not suffer financial hardship during the transition.
- The average grazing dairy farm with less than 100 cows was more profitable per cow and per cwt than those with over 100 cows. Lower labor costs account for much of this advantage.
- Graziers are making a variety of strategies work for them. Some graziers use a seasonal calving strategy, some are certified organic, and some use milking parlors. No single approach seems to be the right or only way to manage a grazing dairy farm.

Organic Production

USDA National Organic Program (NOP) standards require organic herds have access to pasture that provides significant feed value. Pastures must be free from herbicides and pesticides for three consecutive years. The herd can be transitioned in one year during which their diet must be organic forages and/or grain, and cows must be free from antibiotics or growth hormones. Similar to cows with a grass-based diet, organic dairy herds are significantly healthier.

The higher, fixed price for organic milk which averages two-times the amount of the fluctuating conventional pay price, offers farmers a way to remain profitable, in addition to improving cash flow and helping them manage costs and budgets.³

The results of an ongoing economic research study, *Revised Cost and Returns to Organic Dairy Farming in Maine and Vermont 2004*⁴, estimated that the average organic dairy needs to earn a price of at least \$27.77/cwt in order to cover their family's cost of living (\$35,000), plus generate a profitable 5 percent return on assets. In 2006, the average organic dairy farm in the Northeast received a farmgate pay price between \$27 - \$28/cwt. The 2006 report of this study, *Profitability and Transitional Analysis of Northeast Organic Dairy Farms*, found that the profitability of organic dairy farms increased more than 18 percent from the previous year. The study also found that organic dairies were more profitable than conventional based dairies on net revenue per cow, and net revenue per cwt—conventional dairies milk more cows but for less revenue.⁵

Future Market of Organic Milk

Nationally, the demand for organic dairy products grew more than 23 percent in 2005 and 2006, with organic dairy representing only 3 percent of the total milk market, a growth that industry experts say is expected to continue⁶. Industry projections are that the organic dairy market will mature at approximately 15 percent of the total dairy market. NOFA/Mass frequently receives calls from local processors, consumers, schools and summer camps looking for local sources of organic milk. Consumers, locally and nation-wide, increasingly want organic milk.

In Vermont, Maine and New York, more than 100 dairies in each state have successfully transitioned to organic production. In 1994, Vermont had three certified dairies; by the end of 2007, they will have more than 200—18 percent of all dairy farms in the state⁷. The high number of organic dairies

³ *Economic Analysis of Agricultural Markets in Vermont: Organic/Grass-fed Dairy and Livestock for Meat*, SJH and Co, 2006

⁴ *Revised Cost and Returns to Organic Dairy Farming in Maine and Vermont 2004*, Robert Parsons, UVM, and Rick Kersbergen, UMaine, Lisa McCrory, NOFA VT, 2000.

⁵ *Profitability and Transitional Analysis of Northeast Organic Dairy Farms*, Robert Parsons, UVM, Rick Kersbergen, UMaine, Lisa McCrory, NOFA VT, 2007

⁶ *Economic Analysis of Agricultural Markets in Vermont*, SJH, 2006

⁷ David Rogers, *Impacts of Organic Dairy Farming in Vermont*, NOFA VT, 2007

in these states is due in part to successful outreach and marketing efforts of NODPA, NOFA-VT, NOFA NY and MOFGA organic dairy programs that educate farmers about the benefits of organic production, the feasibility of transitioning, and the assistance and resources their programs provide to help make the transition process efficient and cost-effective. It is also due to their state Departments of Agriculture investment in cash support and technical assistance over the past five years. Massachusetts dairy farmers are well situated to take advantage of the benefits of grass-based and organic dairy production.

PROPOSAL FOR THE REVITALIZATION OF THE MASSACHUSETTS DAIRY INDUSTRY

1. *Provide educational models that allow dairy farmers to assess the viability of changing their production methods to lower their cost of production or increase their return. Build the infrastructure necessary to provide technical assistance in their decision-making.*

In the past, dairy farmers have been taught that financial sustainability depends on high yields with high inputs and many have geared their facilities, herd genetics and production methods to maximize their income from intensive confinement operations. However, due to a rapidly diminishing farm infrastructure and the increasing costs of feed, energy, fuel, labor and land, Massachusetts farmers are looking at alternative production methods that reduce inputs and lower the need for high cost and increasingly unavailable labor. Financial assistance that the state provides should encourage farmers to make changes in their operations that allow them to maximize their available assets to the fullest, while minimizing their reliance on high-cost imported inputs. We propose that the Massachusetts Department of Agricultural Resources (MDAR):

- a. Work in partnership with other New England states and New York to develop three models that show the five-year profitability of three systems of production: confinement, intensive pasturing and organic.
- b. Work with the models developed in other New England states and New York to develop a regional system of technical assistance and mentoring that provides support to dairy farmers as they work to apply the different models to their own farms.

2. *Increase Financial Support to Dairy Farms For Adopting New Production Methods and Preserving Agriculturally Productive Open Space.*

Dairy farms are the Commonwealth's largest farms; each dairy farm averages 330 acres in size.⁸ 625 dairy farms have gone out of business in Massachusetts in the past 25 years. Less than 180 remain today, but they maintain most of the farmland and open space in the state. These farms contribute \$500 million to the state's economy⁹. Cost of Community Services studies indicate that farms pay more in municipal services than they require, while taxes on residential uses of land consistently fail to cover costs.¹⁰ Organic dairy management practices help improve the quality of soil, water and air, which has the potential to enhance the natural resources on more than 92,000 acres of Massachusetts' farmland, nearly 18 percent of the Commonwealth's total. Organic production will also reduce energy use by over 15%. The cost of adopting new practices is often cited as a reason for dairy

⁸ University of Massachusetts, Amherst, Center for Agriculture Web site

⁹ Massachusetts Association of Dairy Farmers Web site

¹⁰ Julia Freedgood, *Cost of Community Services Studies: Making the Case for Conservation*, American Farmland Trust, 2005

farmers to not change to organic or pasture based systems. Massachusetts has a highly developed and widely acclaimed Agricultural Preservation Restriction (APR) program and Farm Viability Enhancement Program (FVEP) which address both the need for preserving open space and ensuring the long-term profitability of farm families. We propose that:

- a. The FVEP program give preference to dairy farmers who wish to transition to different production practices:
 - i. Waive the renewal time period for those that have already received FVEP funds;
 - ii. Shorten the covenant time period to five years;
 - iii. Base the capital grant award on the actual cost of transitioning rather than on the number of acres put under covenant;
 - iv. Increase the number of technical assistance consultants that can advise on organic and pasture-based production.
- b. MDAR use the database that they have accumulated through the FVEP program to initiate a mentoring program that will involve twilight meetings, pasture walks and other farmer friendly convenings to encourage and facilitate networking and exchange of idea and challenges.
- c. MDAR work with MassDevelopment, MOBD and banks to educate the state's financial institutions that despite initial cash flow difficulties, organic and pasture based systems have long-term profitability and benefit the Commonwealth.

3. Long term support for environmentally sound farming practices.

The changing face of farming in Massachusetts will require ongoing technical assistance and support to sustain the markets for commodity products produced using organically certified or environmentally progressive production systems. With an ever expanding consumer demand for increasingly narrowly defined production practices (Whole Foods animal compassion standards, Humane Society standards), the continued profitability of the Massachusetts dairy industry will need pro-active representation of the operational realities of farming in New England. We propose that:

- a. MDAR actively support and monitor Federal legislation to increase organic transition payments and "green payments" that will allow farmers to have assistance with changing their production practices and facilities;
- b. MDAR actively support the introduction and expansion of sustainable and organic practices within their grant programs;
- c. MDAR pro-actively work to ensure the integrity and sustainability of the market for organic and sustainable commodity products by anticipating the threats to the market (GMO's etc.) and work with the legislature and citizen groups to provide solutions to these challenges;
- d. MDAR establish a division within their Marketing Bureau to support organic and sustainable production.

We thank you for your support of grass-based and organic dairy production as part of the long-term solution to keeping dairy farms in Massachusetts viable for generations to come.